

Evaluation Committee Report to the Signal Mountain Town Council



Re: Town of Signal Mountain Water System RFP

Operations and Maintenance Proposal & Acquisition Proposal

from Walden's Ridge Utility District

Acquisition Proposal from Tennessee American Water

Committee Meetings 2/26/18 and 2/27/18

The Town has received Proposals in regards to its Water System from Walden's Ridge Utility District and Tennessee American Water. Walden's Ridge Utility District submitted Proposals for Operation and Maintenance of the System as well as Acquisition of the System. Tennessee American Water submitted a Proposal for Acquisition of the System.

On February 26th and 27th, 2018, an Evaluation Committee convened at the Signal Mountain Town Hall to discuss the Proposals for Operation and Maintenance as well as Acquisition of the Town of Signal Mountain's Municipal Water System. This six-member Committee was put together by Town Manager Boyd Veal and consisted of key staff from the Town as well as two users of the System, one being a citizen of the Town and one being a person living in the area outside of the Town that is served by our Water System.

Members of this Committee were given the RFP documents upon their agreement to be a part of the Committee. They were also given all of the materials included in the Proposals one week prior to the meetings, excluding the Price Proposals. Each was asked to sign a statement affirming the purpose of the Committee as well as requesting confidentiality with regards to all of the information contained within the Proposals.

On Day 1, the Committee discussed and evaluated the Operation and Maintenance Proposal from Walden's Ridge Utility District. Once the Committee felt they had adequately evaluated this Proposal along with the associated Price Proposal, they moved on to the evaluation of the Proposals for Acquisition of the System. They were able to make it through the Qualification Proposals and the Technical Proposals.

On Day 2, the Committee reconvened to finish evaluating the Acquisition Proposals from the two Proposers. They evaluated the Business Proposals as well as the Price Proposals. The following Report is a summary of the information contained in the Proposals from both Proposers with regards to both Operation and Maintenance as well as Acquisition.

It is important to note that it was not the charge of this committee to make a recommendation for any particular proposal, but merely to evaluate all the proposals and present the facts. The Committee has had a chance to review the information contained herein and agrees that it best represents the evaluation that the Committee made of all Proposals.

Walden's Ridge Utility District

Walden's Ridge Utility District was formed in 1947 under the Tennessee Utility District Law of 1937 as a public utility district and operates under a 3-member Board of Commissioners appointed by the Hamilton County Mayor. It is a 501 c (12) non-profit organization. They provide water to the Town of Walden, a portion of Signal Mountain, and some rural areas in Hamilton County and Sequatchie County.

The District has a staff of 12 employees, 10 full-time and 2 part-time. They have a General Manager with 32 years of experience and an Assistant General Manager with 16 years of experience. They have 5 office staff positions, 2 of which are part-time as well as a field crew of 5 employees.

The District consists of approximately 120 miles of water mains, 5 water storage tanks totaling 3.95 million gallons, 3 pump stations, 359 fire hydrants and 977 valves. They have over 3,600 meters with approximately 3,550 that are read monthly by automation.

In fiscal year 2017 the district had total operating revenues of \$2,585,345 and total operating expenses of \$2,271,358 leaving \$313,987 in operating income. In fiscal year 2016 revenues were \$2,419,915 compared to expenses of \$2,002,142 leaving \$417,773 in operating income. In fiscal year 2015 revenues were \$2,187,432 and expenses were \$1,867,708 leaving \$319,724 in operating income. The district reported capital contributions of \$39,509 in 2017, \$938,404 in 2016, and \$134,149 in 2015. 2016 included a USDA Water and Waste Water Systems grant for rural communities of \$850,000. For year ended August 31, 2017, total assets and deferred outflows were \$12,381,878. Total liabilities were \$9,368,167 and total capital was \$3,013,711.

Tennessee American Water

Tennessee American Water was formed in 1887. It is a subsidiary of American Water Works Company, Inc. which is located in Voorhees, New Jersey and was formed in 1886. They currently own and operate three distinct water systems in the City of Chattanooga, Suck Creek and Whitwell.

American Water employs more than 6,700 people in 47 states and parts of Canada. Tennessee American employs over 100 people with over 1000 years of combined experience.

Tennessee American serves a customer base of 390,000 in our region. They own, operate, and maintain 3 water plants, 36 storage tanks, 80,000 service connections, 5,200 fire hydrants, and 1,400 miles of pipeline.

Tennessee American has invested nearly \$100 million over the past five years to improve water infrastructure, meet regulatory compliance, and ensure reliability to their customers.

Walden's Ridge Utility District

Operation and Maintenance Proposal

The District offers The Town of Signal Mountain a monthly price of **\$20.00 per customer per month** to manage, operate and maintain the Town's Water System under the specifications outlined in the District's proposed Operations and Maintenance Agreement. This equates to nearly \$900,000 per year. A transfer date of June 30, 2018 is proposed.

Highlights of the Operations and Maintenance Proposal:

WRUD agrees to operate, maintain, and manage the Town Water System in a manner consistent with the service provided its own system and to perform the other duties and responsibilities relating to the Town Water System.

The work shall include managing daily operations, operating, monitoring, repairing, maintaining and improving all improvements currently existing within the Town Water System in accordance with the Town's ordinances, rules, regulations and policies and the terms of the Agreement between the Town and WRUD. They will provide all necessary personnel, provide all billing, ensure compliance with all testing and reporting requirements, handle all customer complaints and requests for service, provide a monthly report to the Town Council, and provide prompt notice to the Town Manager of any major operations problems, issues, or potential adverse claims relative to the system. They will assist in maintaining, renewing or modifying all necessary permits and licenses for the operation of the Town Water System, at the Town's cost. They will also make any necessary recommendations for operation of the Water System to the Town Manager before the annual budget process and provide update recommendations to the 5-year capital plan before March 1 of each year.

All O&M and capital improvement expenses to the Town Water System shall remain the Town's responsibility as a part of the Town's annual budget. This includes the costs of all materials, and utilities to operate the Town Water System which include electrical costs related to pumping water, water purchased, SCADA annual monitoring fee, 811 one call fee, internet, and phone or other utilities only to the extent they are used for the needs of delivering Town services. Labor and equipment costs associated with the operations, monitoring, repairing and maintaining the Town Water System are included in the annual fee.

The term shall be for 2 years commencing on the Effective Date and shall automatically continue thereafter renewing annually for the following 8 years, for an overall term of 10 years. A written termination notice can be given by either party 1 year prior to the end of the initial term or in the first 2 years 6 months prior to each subsequent renewal term or at any time for a material breach by either party, given a written notice and a reasonable time for a satisfactory correction. After the second year termination of the contract requires a written notice which shall take effect 3 months from the date of said notice. The District shall provide a \$1,000,000 Performance Bond that shall renew annually, which shall insure performance on the operations and maintenance of the system including incidental repair work.

The District shall provide the operation, maintenance and management services to the Town for a monthly fee of \$20 per customer of the Town. All labor and equipment costs associated with the operation, monitoring, repairing and maintaining the Town Water System are included in the fee. In the event of non-emergency improvements or construction projects, fees for equipment will be charged for actual usage/run time only.

In the event of an emergency requiring the District to incur charges that are not authorized, the District will be authorized to make purchases up to \$1,500 without prior approval of the Town Manager. Any purchase in excess of \$1,500 but less than \$10,000 will require written approval by the Town Manager. Any purchase in excess of \$10,000 will require written approval by the Town Council. The District is obligated to find the best pricing practical under the circumstances.

The following is a side by side comparison of the Guaranteed Maximum Costs to the Town in an Operations and Maintenance Agreement provided by WRUD compared to actual expenditures for the Town of Signal Mountain in the budget year 2016-2017:

Item	WRUD Guaranteed Max	Town Actual Expenditure
Water Purchase	\$924,678	\$462,338
Labor for Normal Operations	\$900,000 ¹	\$343,622
Total Expenses Including Utilities, Operating Supplies, Communications, etc.	\$2,618,198	\$1,433,953

The Committee concluded that Walden's Ridge Utility District did meet all the requirements laid out in the Request for Proposals.

¹ This represents the annual fee calculated by WRUD that will be paid by the Town of Signal Mountain to The District to operate and maintain the Town's Water System based on the monthly price of twenty (20) dollars per customer.

Tennessee American Water

Acquisition Proposal

Tennessee American Water submits this proposal to purchase the Town's Water System for **\$3.4 million**. This assumes the Town desires to sell all the real property associated with the System. Two additional purchase options are described in the Price Proposal. These options feature partial land acquisition or land leasing. It should be noted that in each of their proposals, although they do not propose to purchase the Signal Mountain Water Fund Cash and Investments, these assets would be unlocked effectively adding an estimated \$3.8 million² to each of their proposals.

Highlights of the Acquisition Proposal:

Qualification Proposal

Nature and History of Organization

- Tennessee American Water is a subsidiary of American Water Works Company, Inc.
- Tennessee American has headquarters in Chattanooga on Riverside Drive; American Water is headquartered in Voorhees, New Jersey
- Tennessee American owns and operates three distinct water systems in the City of Chattanooga, Suck Creek, and Whitwell
- They have over 100 employees in Tennessee with over 1,000 years of combined experience

Structure, Management and Working History

- American Water seeks to maintain a competitive, diverse supplier base that is reflective of their customer population including small business, minority-owned, woman-owned, veteran-owned, service-disabled, and those located in HUB zones; in 2017, their supplier diversity spend was 22%
- Of TNAW's 100 employees, 70 are represented by the Utility Workers Union, Local 121 under a collective bargaining agreement. They work collaboratively on safety, training, and people development
- Corporate structure includes expanded customer services, including call center and customer billing; information technology; security; expanded laboratory services; and supply chain

²This number is merely an estimate of Signal Mountain Water Fund balance plus any other investments. TNAW estimates this number at \$3.8 million while WRUD estimates it at \$3 million. Regardless of these estimates, this number will be the same regardless of the Proposer.

Experience and Past Performance

- TNAW has been in operation for 130 years
- They own, operate, and maintain 3 water plants, 36 storage tanks, 80,000 service connections, 5,200 fire hydrants, and 1,400 miles of pipeline.
- They have a record of compliance with federal and local storm water and discharge permits as well as any relevant TVA encroachment permits; they also have regular coordination with TDOT and other local municipality permits required for excavation in roads and ROW's.
- They have never received a Notice of Violation from their regulators

Key Project Staff Experience and Ability of Professional Personnel

- Key Staff includes Tennessee American Water President Valoria Armstrong, Director of Operations Kevin Kruchinski, and Engineering Manager Kurt Stafford
- Please see p. 18-19 of Tennessee American's Proposal as well as Appendix 2 for bios and additional staff

Other Technical Experience

- Tennessee American currently has 10 employees who have completed their Lean Six Sigma Certifications, which is a nationally recognized process improvement program that achieves business efficiencies
- Communication with customers through news media, bill inserts, direct mail, phone calls, and social media
- Use CodeRED which is a mass communication tool used to contact customers via phone, email, or text with emergency alerts and non-urgent notifications when direct notification isn't possible
- Access to additional resources through parent company American Water
- Lab and staff in Chattanooga as well as a corporate lab through American Water
- Asset Management program gives ability to track system components and monitor condition assessments to prioritize capital improvements and replacements
- Maintenance program includes routine valve maintenance, routine hydrant maintenance, and pump and motor maintenance as well as traditional break/fix or replace maintenance

References

- For References, see page 22 of Tennessee American's Proposal

Technical Proposal

Operation Approach

- Plan to work together to develop a water master plan, using TNAW's comprehensive planning study (CPS) process
- Knowledge sharing of how Town employees have historically performed a task and how TNAW employees complete a similar task; use this information to develop methods that work best for both customers and employees
- Use the Town's 21-year capital plan as a starting point for the CPS as well as Town employee's knowledge of the System, TNAW knowledge of future regulatory practices, and the inclusion of best operating practices
- Data and reports are available locally but stored and backed up on remote servers
- Day-to-day reporting like water quality reporting and customer service interactions are handled by a local team while their customer service center will handle other customer service and billing
- Active preventative maintenance will increase reliability of the pipes and other assets' performance as well as creating a schedule for replacing aging assets
- Evaluate integrating tank sites into the SCADA technology for more efficient monitoring of tank performance
- Assess the need to automate valves
- Replace manual-read meters with automatic meter reading (AMR)
- Full laboratory services in Chattanooga as well as additional capabilities at national lab in Bellville, IL; local staff analyzes hundreds of samples daily
- Safety is top priority and they ensure their employees are equipped with everything they need to operate in all weather conditions
- They look at operational ways to optimize consumption of energy as well as expend capital dollars to reduce energy consumption
- Utilize SCADA along with power monitors and energy billing data to better manage electricity; changes may include changing timing of pumps start and stop, modifying startup cycles of pumps, or modifying which combination of pumps works best
- Solar energy would be considered

General Maintenance Approach

- Comprehensive inventory and evaluation of all equipment at the Signal Mountain pump station and all critical electrical and mechanical equipment; this allows them to ensure operation within specification, identify immediate maintenance concerns, lessen equipment downtime, extend duty and life cycles for major assets, and experience fewer opportunities of equipment failure

Water Distribution System Operation and Maintenance Plan

- Use of Systems Applications and Products (SAP) software for date management of assets; this includes GPS coordinates for assets
- Future replacement plans will be prioritized from this system
- Inventory is also managed in this system and the system alerts when stock needs to be replenished
- Primary benchmark is a reduction in reactive maintenance and/or failures
- When a maintenance program is started, they experience a large increase in the number of assets needing replacement but with time, that decreases and reliability increases

Capital Improvement Plan Implementation

- TNAW plans to invest more than \$1.25 million in capital investments in the first 5 years of ownership
- Capital investments include replacing aging pipes, meters, and supply and treatment facilities, expanding existing facilities, projects related to compliance with quality standards and regulations, and projects to achieve new efficiencies
- Installation of AMR technology and SCADA automation upgrades
- Installation of an interconnection with Walden's Ridge Utility District to assist each other in times of emergency
- The majority of capital projects are designed and inspected in-house
- Design reviews for complex linear, transmission or facility projects typically include a 30, 60, and 90 percent review to proof the concept and then the details and specs
- Specialized infrastructure projects typically involve contracting with independent engineering firms
- The overall goal of the CIP is to replace water assets before the end of their useful life
- All departments have an impact on the capital budget and participate through monthly oversight meetings
- The engineering dept. maintains a hydraulic model of the water systems which assists in creating scenarios for potential projects
- Tennessee American Water had a capital budget of \$20 million in 2018; American Water plans to invest over \$1.5 billion this year in capital improvements
- TNAW brings economies of scale in relation to construction materials and installation allowing them to leverage national contracts to get discount prices

Performance

- Current facilities score 99 or better out of 100 maximum on TDEC sanitary inspection
- Use benchmarking against companies that are considered best in class to measure employee relations
- Utilize performance metrics from our customer survey process to celebrate successes and learn from customers what they can do better

- Track monthly, quarterly and rolling averages to create and measure performance goals
- Maintain an Emergency Response Plan for all facilities, update it annually, and conduct at least two table top exercises with multiple parties every year
- Security planning is implemented locally supported by their Operations Security group at their corporate office utilizing protocols from Homeland Security recommendations for critical infrastructure
- Every employee participates in safety training conducted by frontline employees, supervisors, safety leads and/or third-party vendors as well as required annual regulatory safety training
- In 2017, all employees participated in 20 hours of documented training on topics such as trenching and shoring, confined space, traffic control, and defensive driving
- Use a near miss reporting system that then requires a plan of action within 30 days

Employee and Operational Transition

- On the effective date of purchase, TNAW will offer employment to all qualified existing Signal Mountain water department employees
- Transition team will handle the gathering of all information within the first month in an effort to improve system operating efficiencies as soon as possible
- Information sessions on salaries and benefits will be provided on a minimum of 2 dates prior to closing; TNAW employment requirements will be explained at that time as well as the necessary information to move forward with the onboarding process
- The employee residing at the pump station at the base of the mountain will have 6 months to relocate from the day of the purchase of the system
- Upon closing, inventory and stock materials will be relocated to the Chattanooga operations warehouse yard
- The strategy is to completely integrate the Signal Mountain water system with the Chattanooga system so that the systems operate under one Public Water System Identification (PWSID) number and all compliance requirements will be based upon one total system rather than two independent systems; the transition should occur at closing
- Can assume full legal and operational control of the water system within three months of negotiating a memorandum of understanding contingent on all regulatory approval

Data Management

- Data and reports are available locally but stored and backed up on remote servers

Staffing

- TNAW will offer, on the effective date of purchase, employment to all qualified existing Town water department employees
- Upon hiring, based on experience and qualifications, employees will be aligned with the appropriate role at TNAW; salaried positions, such as those of a supervisor, will be dependent on the experience and qualifications of the individual

- The majority of TNAW employees work Monday-Friday from 7:30 a.m.-4:00 p.m.
- 24/7 coverage is provided to address emergency events

Customer Service and Community Outreach

- Local employees handle customer service activities including meter reading, water main breaks and water service activations and disconnections
- 24-hour national call center where customers can contact them regarding emergencies
- Emergency and dispatch service requests are sent directly to computer laptops in employee truck for more efficient customer service
- Multiple payment options are offered including mail, phone and website; in Whitwell, they established an in-person bill payment at the City Hall which is an option for Signal Mountain
- Payment plans may be arranged through the billing department
- Have a program called Project Water Help which is managed by the United Way, where customers can designate a dollar amount to be donated every month in addition to their bill
- Information will be sent to all Town residents explaining payment choices and contact information in case of emergencies
- TNAW will also hold town hall style meetings to answer questions during the transition period
- Important to have communication with elected and other officials; regular communication with municipalities and their elected representatives
- Started Elementary Science Olympiad with Chattanooga State and HCDE; for 11 years over 600 students in grades 3-5 compete every year; 30 TNAW employees volunteer for this event; Thrasher and Nolan are always in attendance
- Their environmental grant program encourages organizations to apply for funding for innovative, community-based environmental projects that improve, restore, or protect the watersheds, surface water and/or groundwater supplies in our local communities
- Exclusive sponsor of the Tennessee Aquarium's educational outreach program
- Invite schools every year to visit their plant in Chattanooga for tours

Business Proposal

Financial Strength

- A link has been provided to review the last 3 years SEC filings
- TNAW is in a strong financial position to fund the acquisition of the Town's water system
- American Water is publicly traded on the New York Stock Exchange
- TNAW has invested approximately \$100 million in capital in the last five years

Legal Standing

- TNAW does not have any municipal water and wastewater system management contracts and therefore does not have any lawsuits and contract litigation related to such
- Approach to resolving contract disputes is to work with the parties to attempt to amicably resolve any issues
- TNAW is not aware of any permit or regulatory violations in the past several years

Risk Assumed by Proposer

- TNAW will assume full responsibility for operating the system post-closing

Price Proposal

- TNAW's price proposal consists of three distinct purchase options for the system; each includes an offer for the purchase of the Town's water system assets, and associated real estate
- TNAW ownership offers the following benefits:
 - Cash payment up to \$3.4 million upon closing
 - Unlocked balance sheet cash estimated at \$3.8 million (based on balance sheet as of June 30, 2017, showing \$1.7 million of cash and \$2.1 million in restricted funds)
 - Capital investments of more than \$1.25 million in the first five years; average of \$250,000 investment after the initial five-year period
 - Continued employment for the six existing Town water employees
 - Creation of a Signal Mountain Water Advisory Board
- All three offers are subject to the following conditions:
 - Price and rate structures contained in each offer
 - Approval by TPUC of the terms
 - A reduction in purchase price based on Town's estimated RFP cost and expense of \$200,000
 - The Town will retain the excluded assets
 - Satisfactory transfer of permits
 - Execution of a definitive Asset Purchase Agreement

Offer 1

- TNAW proposes to purchase the water assets of the Town, including all associated real estate for \$3,400,000
- TNAW will limit rate increases by adopting Signal Mountain's existing rates for the first five years, subject to TPUC approval and including TNAW annual capital riders which would amount to approximately \$0.71 per month for the average residential customer

Offer 2

- TNAW proposes to purchase the water assets of the Town, including the Pump Station, James Blvd. single tank and James Blvd. double tank for a cash payment of \$3,000,000
- Property excluded from this sale would be the ones on South Palisades Drive and Sunset Drive
- TNAW will limit rate increases by adopting Signal Mountain's existing rates for the first five years, subject to TPUC approval and including TNAW annual capital riders which would amount to approximately \$0.71 per month for the average residential customer

Offer 3

- TNAW proposes to purchase the water assets of the Town, excluding associated Town real estate (no property included), for \$2,800,00

- TNAW will limit rate increases by adopting Signal Mountain's existing rates for the first five years, subject to TPUC approval and including TNAW annual capital riders which would amount to approximately \$0.71 per month for the average residential customer

Walden's Ridge Utility District

Acquisition Proposal

Walden's Ridge Utility District submits this proposal to purchase the Town's Water System for **\$3.6 million** plus an additional variable purchase price of \$3 million³ for the Signal Mountain Water Fund Cash and Investments available at a specific date to be determined. This would result in a total projected purchase price of \$6.6 million. This assumes the Town desires to sell all the real property associated with the System. There is an additional option that would include leasing the real property instead of purchasing it. WRUD would continue to purchase water from TNAW initially, with a goal of switching to Hixson Utility District for exclusive supply of water as soon as an interconnect is completed and an additional pump station is built.

Highlights of the Acquisition Proposal:

Qualification Proposal

Nature and History of Organization

- WRUD was created by order of the County Court of Hamilton County on September 30, 1947
- Member of the Board are selected by the Hamilton County Mayor and serve four-year staggered terms
- They employ 12 people, 10 of which are full-time and 2 of which are part-time; the employees have approximately 120 years of combined experience including a General Manager with 32 years of experience and an Assistant GM with 16 years of experience
- They provide water to the Town of Walden, a portion of Signal Mountain, and some rural areas in Hamilton County and Sequatchie County

Structure, Management and Working History

- The District is a government entity operated as a municipality under the Tennessee Utility Act of 1937 and is regulated by the Tennessee Comptroller's Office as well as a 3-member Board of Commissioners
- The Board meets monthly with the General and Assistant General Manager to review, discuss, and make decisions which determine the direction for the future

³ This number is merely an estimate of Signal Mountain Water Fund balance plus any other investments. TNAW estimates this number at \$3.8 million while WRUD estimates it at \$3 million. Regardless of these estimates, this number will be the same regardless of the Proposer.

- Seek financial advice from Larry Kidwell of Kidwell and Company and their third-party accountant, Scott Scouten with Neal, Scouten and McConnell, PC, the USDA's Chattanooga Office, and Southeast Development
- Legal advice is obtained from the Tennessee Comptroller's office, Branstetter, Stranch & Jennings, PLLC law firm, Horton, Ballard & Pemerton law firm and the Tennessee Association of Utility Districts

Experience and Past Performance

- The District consists of approximately 120 miles of water mains, 5 water storage tanks totaling 3.95 million gallons, 3 pump stations, 359 fire hydrants, and 977 valves
- Has over 3,600 meters with approximately 3,550 that are read monthly by automation
- See Appendix II for details of projects completed in the last 13 years
- The District had a monitoring violation in November 2013 when sample was taken the fourth week of November rather than the second week of November; procedures were implemented by the District to eliminate future monitoring violations

Key Project Staff Experience and Ability of Professional Personnel

- The District has a 3-member Board with a total of 64 years of experience and training as utility district commissioners
- The General Manager has over 32 years of experience and holds a Grade IV Water Treatment Plant Operator license
- The Assistant General Manager has 16 years of experience and hold a Grade II Water Treatment Plant Operator license
- Each holds a Grade II Distribution System Operator license
- Management and field employees have Tennessee CDL driver's licenses, as well as confined space training, fork lift operator training, and flagger safety training
- The District has a State-Certified Bacteriological Laboratory to perform water sample testing

Other Technical Experience

- Over the last 13 years, the District has implemented a program for the automation of meter reading, a web-based billing program and completed approximately 36 miles of water main installation

References

- See Appendix VIII of WRUD's Proposal for References

Technical Proposal

Operation Approach

- WRUD covers approximately a 200 square mile radius with 120 miles of water mains, 5 storage tanks, and 3 pumping stations in operation with a SCADA monitoring system
- District staff operates, maintains and submits required reporting such as the Monthly Operating Reports to TDEC
- The District's required monthly water samples are tested in its State Certified Lab as well as the required monthly water samples for the Town
- Works closely with EPB to monitor energy use and to operate its system at off-peak hours when possible

General Maintenance Approach

- The District does routine visual checks on all of its water tanks and has each tank inspected by a third-party contractor every 5 years
- 3 tanks and all of the District's pumping stations are monitored by SCADA; all employees are notified by text and email of any and all alarms that are sent by the SCADA system
- Service trucks owned by the District are equipped with GPS tracking devices; this enables the District to determine the length of time to do various jobs so that those tasks can be optimized
- Using Network Fleet, those devices also keep track of all maintenance on the truck and notifies staff by text and email when any maintenance is required
- All heavy equipment maintenance, service records and schedules are recorded regularly and kept at the District's shop building
- District staff performs all routine maintenance on the service trucks and equipment
- The District is also part of a leak detection program that is shared with multiple utilities in Hamilton County

Water Distribution System Operation and Maintenance Plan

- The District would operate the Town's system as a mirror image of its own including utilizing data and scheduling maintenance by using the District's current SOP

Capital Improvement Plan

- To prepare a Capital Improvement Plan, the District would review the hydraulic model of the System, the last 5 years of leak and water loss reports, the map of all water mains, sizes and dates of installation, the most recent fire hydrant flow and pressure reports and the tank inspection reports
- Using that information, they would look at the last 5 years of audited financials to determine a CIP
- Top priority items include replacing all residential and sprinkler manually read water meters with lead free, automation-read meters as well as calibration of all non-residential meters to

ensure accuracy for billing, installing of inline flow meters on all privately-owned mains, inspection of all Water Department inventory to verify State requirements

- Also, implementing the SCADA system that is installed at the Town's pumping station to maximize electrical cost relating to water purchased as well as install and utilize SCADA's alarm system for tank hatch, ladder and gate alarms

Performance

- The District follows the standards and regulatory compliance required by TDEC, the Utility Management Review Board and the Tennessee Comptroller's office
- There are multiple cameras throughout the District to maintain safety and security as well as fencing to minimize loss or damage to property
- Buildings are monitored by a third-party security firm for unlawful intrusion
- The District has a Safety Program in place and works closely with TOSHA for safety inspections, program planning, and training of employees

Employee and Operational Transition

- The District's GM and Asst. GM will serve as the team leaders for the transition period, which could take up to 6 months
- The District is adequately staffed to maintain and operate the Town's water system with current personnel, however, the District will consider hiring any employee currently on the Town's water department staff that meets the District's criteria for employment
- The District's benefit plan for full-time employees includes medical, dental, vision, life and short-term disability insurance, an annual clothing allowance, and assistance for cell phone bills
- 10 paid holidays and 64 earned hours of personal leave are offered annually; paid vacation is based on years of employment up to 4 weeks annually
- The Board has authorized a bonus for the last 5 years for all full-time employees, although this isn't guaranteed
- The District participates in the Tennessee Consolidated Retirement System

Data Management

- Refer back to the General Maintenance Approach and Capital Improvement Plan

Staffing

- Full-time employees of the District work a 5-day 40-hour work week, Monday through Friday
- An on-call rotation for nights and weekends is set for field personnel
- Full-time employees are not sent home due to rain or snow
- Part-time employees will work as needed and while weather permits to do so
- Upon approval, the District will cover the cost required to acquire or maintain any of its operators' licenses

Customer Service and Community Outreach

- The District's office is located at 3900 Taft Highway on Signal Mountain with a staff of 4 employees available for customer service
- These employees receive and post daily payments, establish new service, and address questions and complaints
- They also process work orders for the field staff during normal business hours, Monday-Friday from 8:00 a.m. – 4:30 p.m.
- After hours calls are routed through the answering service, then forwarded to the on-call staff; customer requests are handled in the order they were received
- The District has a Facebook page where important messages are available for customers to review as well as a message service that can send telephone calls to alert customers of emergency or unusual happenings
- The District is not regulated by TRA/TPUC so no complaints have been reported

Business Proposal

Financial Strength

- The past 3 years audit reports can be found in Appendix IV: Financials
- Over the past 5 years the District has made infrastructure investments of \$3,597,427 and has construction in progress of \$896,091 for a total of \$4,493,518 with an average annual investment of \$898,704
- The District is not subject to filing with the SEC
- It is governed by public utility rules and regulations which establishes the limitations for assets on the depreciation schedule compared to the limitations on other types of companies

Legal Standing

- In 2005, the District entered into a Water Purchase Agreement with TNAW; in 2013, due to multiple breaches on contract by TNAW, the contract was terminated by the District
- In 2003, the District entered into a Water Purchase Agreement with TNAW to provide water to Lone Oak Utility District; at that time, TNAW had an O & M agreement with LOUD
- In 2005, the District's Water Sale Agreement with TNAW was amended to a Wheel Charge Agreement which was ultimately terminated in 2015 when LOUD terminated its O & M agreement with TNAW
- In 2015, the District entered into an O & M Agreement/Water Sale Agreement with LOUD; The District is in good standing and has an excellent relationship with LOUD
- In 2006, the District entered into a Water Purchase Agreement with Hixson Utility District; this agreement provides potable water to the District's customer base located in the Falling Water area
- In addition to this, the District entered into a second Water Purchase Agreement with Hixson Utility District in 2013 to provide potable water to the District's customer base in a portion of the Town of Signal Mountain, the Town of Walden, and rural parts of Hamilton and Sequatchie Counties located on Signal Mountain; this agreement made Hixson Utility District the sole provider of potable water for the District; the District is in good standing and has an excellent relationship with Hixson Utility District
- In 25 years, the District has incurred 2 lawsuits: 1) the boundary dispute between the Town and the District, and 2) the termination of the Water Purchase Agreement between TNAW and the District; both were settled out of court
- Approach to resolving contract disputes includes negotiations between parties and/or arbitration
- The District has never had a permit violation
- The District had one monitoring violation per TDEC's Division of Water Resources in November 2013 when a sample was taken in the fourth week instead of the second week of November 2013; procedures have been implemented by the District to eliminate future monitoring violations

Risk Assumed by Proposer

- The District is prepared to provide a \$10,000 bid bond as stated in the RFP
- The District accepts the responsibilities outlined in the RFP as well as any and all uncontrollable circumstances that may arise outside the specified scope of the RFP and will work closely with the Town to negotiate any additional cost related to such circumstances outside the specifications outlined in the RFP
- The District will uphold the limitations specified by the District in its proposed Purchase Agreement submitted to the Town
- The District also lists 13 additional favorable factors on the last 2 pages of their business proposal which summarize many of the key points in their proposal

Price Proposal

- WRUD's price proposal consists of two distinct purchase options for the system; one includes an offer for the purchase of the Town's water system assets and associated real estate; one includes an offer for the purchase of the Town's water system assets with no associated real estate and suggests a lease agreement
- WRUD ownership offers the following benefits:
 - Cash payment up to \$3.6 million upon closing
 - Variable purchase price, currently estimated at \$3 million for the SMWF and related assets
 - Proposed capital investments of \$2.6 million in the first five years
 - Continued employment for the six existing Town water employees should they meet certain criteria
 - The Town will be granted a seat on the District's Board of Commissioners
 - The Board of Commissioners has total discretion in deciding the rates that will be charged to the Town's customers in the future

Purchase Price with Land

- 1) A fixed purchase price of \$3,600,000 for SMWF Capital Assets not including the excluded assets, and
- 2) A variable purchase price, currently projected at \$3,000,000, for SMWF's Cash and Investments available at a specific date to be determined
 - a. District anticipates cash and investments will be calculated based on SMWF's total bank and investment balances at the agreed upon date, reduced by outstanding checks, accounts payable, and customer deposits payable to be transferred and assumed by WRUD
- 3) District is proposing a closing date and transfer date of June 30, 2018

Purchase Price without Land

- 1) The District offers the Town of Signal Mountain a projected purchase price without land of \$6,000,000 for the Town of Signal Mountain Water Fund (this includes the projected \$3,000,000 for SMWF's Cash and Investments available at a specific date to be determined)
- 2) The District would then potentially enter into a lease agreement pertaining to the land with the Town of Signal Mountain under the terms and conditions specified pertaining to leasing in the RFP presented by the Town